



**Technical Note**  
Gross Domestic Product  
Second Quarter of 2008 (Advance)  
July 31, 2008

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the second quarter is available on BEA's Web site at [www.bea.gov](http://www.bea.gov); a brief summary of "highlights" is also posted on the Web site. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*, along with a more detailed analysis of the estimates ("GDP and the Economy").

### **GDP Acceleration**

Real GDP increased 1.9 percent (annual rate) in the second quarter (that is, from the first quarter to the second), following an increase of 0.9 percent (revised) in the first quarter. The acceleration in real GDP growth reflected the following factors:

- The contribution of net exports to GDP growth was larger in the second quarter (2.42 percentage points) than in the first (0.77 percentage point). Exports accelerated and there was a larger decrease in imports.
- Residential fixed investment decreased less in the second quarter than in the first, subtracting 0.62 percentage point from GDP growth in the second quarter after subtracting 1.12 percentage points in the first.
- Consumer spending picked up, contributing 1.08 percentage points to GDP growth in the second quarter after contributing 0.61 percentage point in the first.

These factors were partly offset by a larger decrease in inventory investment, which subtracted 1.92 percentage points from GDP growth in the second quarter after subtracting 0.02 percentage point in the first.

### **Source Data for the Advance Estimate**

The advance GDP estimate for the second quarter of 2008 is based on source data that are incomplete and subject to revision. Three months of source data were available for consumer spending on goods; shipments of capital equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A. Among those assumptions are the following:

- a decrease in single-family residential structures,
- an increase in nondurable manufacturing inventories,
- an increase in non-motor-vehicle merchant wholesale and retail inventories,
- an increase in exports of goods, excluding gold, and
- an increase in imports of goods, excluding gold.

## Prices

The price index for gross domestic purchases increased 4.2 percent in the second quarter after increasing 3.5 percent in the first quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 2.2 percent in the second quarter, the same increase as in the first. About 0.2 percentage point of the first-quarter increase in the index was accounted for by the pay raise for federal civilian and military personnel, which is treated as an increase in the price of employee services purchased by the federal government.

## Disposable Personal Income

Real disposable personal income (DPI) increased 11.3 percent in the second quarter, following a decrease of 0.1 percent in the first. Current-dollar DPI increased 15.9 percent, following an increase of 3.5 percent. The sharp acceleration in second-quarter DPI reflected the effects of the rebates to individuals from the Economic Stimulus Act of 2008. The rebate payments added \$311.6 billion (annual rate) to second quarter DPI, of which \$112.3 billion is shown as an increase in personal current transfer receipts and \$199.4 billion is shown as a reduction in personal current taxes.

## Annual Revision

Today's GDP news release presents results from the regular annual revision of the national income and product accounts. This year's revision covers the estimates for the most recent three years—from 2005 to 2007—and the first quarter of 2008. The revision incorporates source data that are more complete, more detailed, and otherwise more reliable than those previously available. A table showing the selected component detail and major source data for the annual revision is posted on the BEA web site ([nipa\\_revisions.pdf](#)). A detailed discussion of the results will be published in the August issue of the *Survey*.

For 2004–2007, real GDP grew at an average annual rate of 2.6 percent, 0.1 percentage point less than the previously published estimate. The revision to GDP growth for 2004–2007 reflected revisions to following components:

- Real personal consumption expenditures grew at an average annual rate of 3.0 percent, compared with the previously published estimate of 3.1 percent. Spending for services was revised down, reflecting revised data

for 2006 and new data for 2007 from the Census Bureau's service annual survey and new data for 2007 from the Census Bureau's housing vacancy survey.

- Real residential fixed investment decreased at an average annual rate of 6.8 percent, compared with the previously published estimate of 5.5 percent. The downward revisions reflected revised Census Bureau value-of-construction-put-in-place data for 2006 and 2007 and a revised Census Bureau price index for single family houses under construction.

These downward revisions for 2004–2007 were partly offset by several upward revisions:

- Real exports of goods and services grew at an average annual rate of 8.2 percent, compared with the previously published estimate of 7.8 percent. The revision was mostly to services and reflected revised BEA international transactions accounts estimates.
- Real nonresidential fixed investment in equipment and software increased at an average annual rate of 6.0 percent, compared with the previously published estimate of 5.6 percent. The upward revision was primarily to software and to industrial equipment. The revision to software reflected revised data for 2006 and new data for 2007 from the Census Bureau's service annual survey and new BLS employment data for 2007. The revision to industrial equipment reflected revised data for 2005 and new data for 2006 from the Census Bureau's annual survey of manufactures and revised Census Bureau monthly industry shipments data for 2007.

For 2004–2007, the average annual rate of increase in the price index for gross domestic purchases was revised up, from 3.2 percent to 3.3 percent. The revision was primarily to prices for residential fixed investment, which were revised up, from 4.0 percent to 4.8 percent.

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**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP  
FOR THE SECOND QUARTER OF 2008**

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods (other than aircraft), manufacturers' inventories of durable goods, federal defense spending, and consumer, producer, and international price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for June 2008 are shown in the last column of the table. For most series shown, the data for May are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Bureau of the Census.

	2008					
	Jan.	Feb.	Mar.	Apr.	May	Jun.*
<b>Private fixed investment:</b>						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	389.7	391.6	398.0	404.3	405.3	404.8
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	52.2	37.3	39.0	41.6	46.2	42.6
Residential structures:						
Value of new residential construction put in place:						
3 Single family.....	233.8	214.9	212.3	204.1	197.2	190.7
4 Multifamily.....	43.3	43.9	44.0	44.1	44.2	44.2
<b>Change in private inventories:</b>						
5 Change in inventories for nondurable manufacturing.....	62.5	20.7	22.7	-24.0	17.4	22.8
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	77.7	32.8	-4.5	80.0	38.0	67.0
<b>Net exports:</b>						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	1256.2	1297.2	1260.4	1320.7	1330.0	1334.2
6a Excluding gold.....	1238.3	1270.7	1230.9	1296.1	1310.8	1316.5
Imports of goods:						
7 U.S. imports of goods, international-transactions-accounts basis.....	2098.0	2167.0	2081.2	2196.1	2199.7	2245.3
7a Excluding gold.....	2087.4	2145.4	2059.8	2177.3	2190.0	2234.7
8 Net exports of goods.....	-841.8	-869.8	-820.8	-875.4	-869.7	-911.1
8a Excluding gold.....	-849.0	-874.7	-828.9	-881.2	-879.2	-918.2
<b>Government:</b>						
State and local:						
Structures:						
9 Value of new construction put in place.....	268.5	269.4	278.6	276.9	278.4	277.7

\*Assumption.